



**INITIAL COMMENTS
ON THE SUMMER 2020 THROUGH SPRING 2021
ELECTRIC PROCUREMENT EVENTS**

**PURSUANT TO SECTION 16.111.5(o) OF THE
ILLINOIS PUBLIC UTILITIES ACT**

**Presented to:
THE ILLINOIS COMMERCE COMMISSION**

**Prepared by

Vincent Musco
Kathryn Wroblewski**

May 24, 2021

TABLE OF CONTENTS

I.	INTRODUCTION AND SUMMARY OF TOPICS	3
II.	SUMMARY OF RECENT RFP RESULTS	3
	A. Fall 2020 Energy RFPs	4
	B. Fall 2020 Capacity RFP	4
	C. Spring 2021 Energy RFPs	5
	D. Spring 2021 Capacity RFP	6
	E. Bates White’s Reports and Recommendations on All Seven Procurements	8
III.	Adaptability of the Procurement Process to Underlying RTO Market Changes	8
	A. Potential Changes to MISO Resource Adequacy Construct.....	8
	B. How the Procurement Process Adapted to these Changes	11

I. INTRODUCTION AND SUMMARY OF TOPICS

As the Illinois Commerce Commission’s (“Commission”) Procurement Monitor, we appreciate the opportunity to submit these comments in response to the Commission’s May 4, 2021 “Public Notice of Informal Hearing (Request for Comments) Concerning Electric Procurement Events Which Were Held From Summer 2020 Through Spring 2021” (“Request for Comments”). We served the Commission as its Procurement Monitor for all energy and capacity procurement events over this period, as we have for several years.

The Illinois procurement process for electricity products continues to work well and to the benefit of Illinois ratepayers. In these comments, we summarize and comment on the results of the five energy and two capacity procurement events held between summer 2020 and spring 2021. We also provide a section that addresses the adaptability of the procurement process to changes (and potential changes) in the underlying wholesale markets in which the Illinois utilities operate.

II. SUMMARY OF RECENT RFP RESULTS

We begin with a brief summary of the results of the seven procurements events – five energy and two capacity – or Request for Proposals (“RFPs”) – held between summer 2020 and spring 2021,¹ which are shown below in Table 1.² Each procurement was held in accordance with Commission Orders.

Table 1
Electric Procurement Events Held Between Summer 2020 and Spring 2021

Date	Buyer	Product
Fall 2020	Ameren	Energy
Fall 2020	ComEd	Energy
Fall 2020	Ameren	Capacity
Spring 2021	Ameren	Energy
Spring 2021	ComEd	Energy
Spring 2021	MidAmerican	Energy
Spring 2021	Ameren	Capacity

¹ The information in this report is publically available. For each of these procurements, we provided the Commission with a detailed, confidential report summarizing the results and our analysis of the competitiveness of the procurements.

² The schedule of electric procurements is determined in advance by the Illinois Power Agency (“IPA”) and approved by the Commission. The IPA Plan for 2020 was accepted by the Commission in an Order dated December 19, 2019 issued in Docket No. 19-0951 (“December 2019 Order”). The IPA Plan for 2021 was accepted by the Commission in an Order Dated November 5, 2020 issued in Docket No. 20-0717 (“November 2020 Order”).

A. Fall 2020 Energy RFPs

In September 2020, Ameren and ComEd³ held concurrent RFPs to procure energy to meet all or part of each utility's remaining forecasted need for the three service years from October 2020 through May 2023. Energy contracts were procured in 25 MW blocks for each month in peak and off-peak segments. Energy procured was to be physically delivered to the utilities' respective load zones.

The RFPs successfully procured 100 percent of Ameren and ComEd's solicited need. The overall load-weighted average winning price for Ameren energy was \$28.62/MWh and \$25.65/MWh for ComEd.⁴ The total value of the contracts signed as a result of the RFPs was about \$80.5 million for Ameren and \$243.7 million for ComEd. As required, all winning bids were priced below calculated benchmark values. The Commission approved the results of the RFPs on September 18, 2020.⁵

B. Fall 2020 Capacity RFP

In September 2020, Ameren also procured "zonal resource credits" ("ZRCs") for the 2021-2022 and 2022-2023 Planning Year, which extend from June 1, 2021 to May 31, 2022 and June 1, 2022 to May 31, 2023, respectively. Ameren, as a member of the Midcontinent Independent System Operator ("MISO"), must satisfy certain resource adequacy requirements. ZRCs represent a commitment of capacity from planning resources that can be relied upon by MISO, where each ZRC equals one MW of unforced capacity.

The RFP successfully procured 100 percent of the total ZRCs solicited from five bidders. For the 2021-2022 Planning Year, the RFP procured 293 ZRCs at an average winning price of \$19.99/MW-day and a total contract value of approximately \$2.1 million. For the 2022-2023 Planning Year, the RFP procured 252 ZRCs at an average winning price of \$26.90/MW-day and a total contract value of approximately \$2.5 million. The average winning price for the ZRCs successfully procured was \$23.19/MW-day. As required, all winning bids were priced below the calculated benchmark values. The Commission approved the results of the RFP on September

³ Technically, all procurements are held by the Illinois Power Agency's ("IPA") procurement administrator, NERA Economic Consulting. For simplicity, we refer only to the utilities in the text of this document.

⁴ Because ComEd sought proportionally more blocks in some months than Ameren, and vice versa, it is difficult to draw direct comparisons between these prices. Additionally, these numbers are derived from public information and rounded.

⁵ Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Fall 2020 Procurement of Standard Energy Blocks," September 18, 2020.

23, 2020.⁶

C. Spring 2021 Energy RFPs

The Spring 2021 Energy RFPs solicited sufficient energy to make sure that (a) at least 100 percent of each utility's forecasted need for June 2021 to September 2021 would be filled and (b) 75 percent of the October 2021 to May 2022 need would be met. For the 2022-23 and 2023-24 delivery years, the 2021 RFPs – both the Spring and Fall 2021 RFPs combined –solicit up to 50 percent and 25 percent, respectively, of need with half procured in the Spring RFP and the remainder in the Fall RFP. Energy contracts were procured in 25 MW blocks for each month in peak and off-peak segments. The energy will be physically delivered to the utilities' respective load zones. The RFPs successfully procured all of Ameren's, ComEd's, and MidAmerican's stated energy need.

The overall load-weighted average winning energy prices were \$28.74/MWh for Ameren, \$25.81/MWh for ComEd, and between \$33.27/MWh and \$33.54/MWh for MidAmerican.⁷ The total value of the contracts signed as a result of the RFPs were approximately \$110.3 million for Ameren and \$398.0 million for ComEd. As required, all winning bids were priced below calculated benchmark values. The Commission approved the results of the RFPs on April 9, 2021.⁸

Figures 1 and 2 show, respectively, the recent load-weighted average winning prices observed in recent Ameren and ComEd energy RFPs, going back to the Spring of 2015.⁹

⁶ Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency, Fall 2020 Procurement of MISO Zonal Resource Credits," September 23, 2020.

⁷ Because ComEd sought proportionally more blocks in some months than Ameren, and vice versa, it is difficult to draw direct comparisons between these prices. Additionally, MidAmerican's low quantity of total bids solicited confounds comparisons with the other utilities. As we have discussed in previous comments, the small size of MidAmerican's procurements can dissuade bidders from participating. In previous comments, we observed low participation has hindered MidAmerican's ability to consistently procure 100% of its target solicitation. This particular procurement, however, highlights a disparate effect of low bidder participation – higher average prices. As long as MidAmerican's solicitations remain small, we expect to observe similar results in future procurements.

⁸ Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Spring 2021 Procurement of Standard Energy Blocks," April 9, 2021.

⁹ The prices shown in Figures 1 and 2 are load-weighted average prices that are derived from public information and rounded. They represent the average price observed for all products procured in that procurement. For example, the price shown for the Spring 2015 RFP is the load-weighted average price for all products procured at that procurement, which included three years of future energy delivery of both peak and off-peak products. Also, since the number of products solicited in each RFP varies both seasonally and with changes in load forecasts, direct price comparisons are made more challenging.

Figure 1. Recent Load-Weighted Average Winning Prices, Ameren Energy RFPs (\$/MWh)

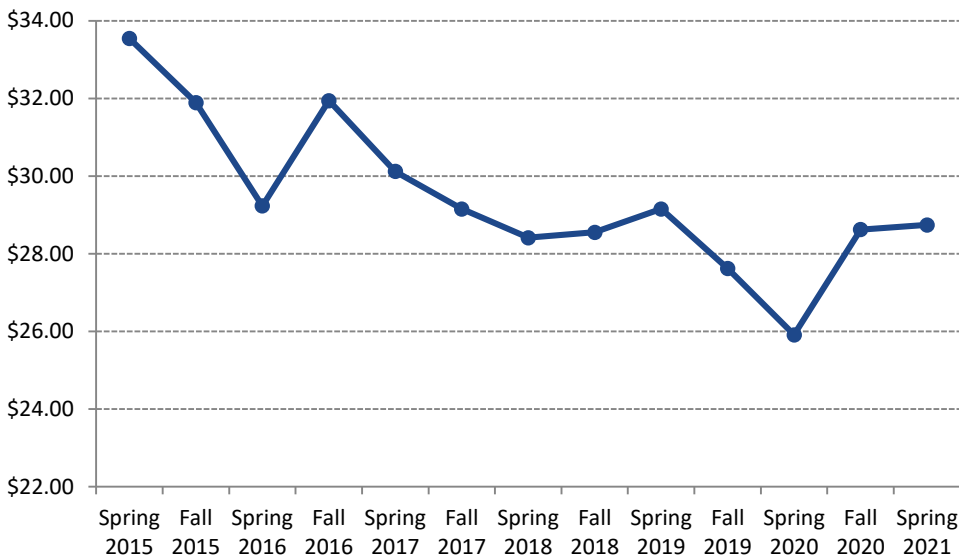
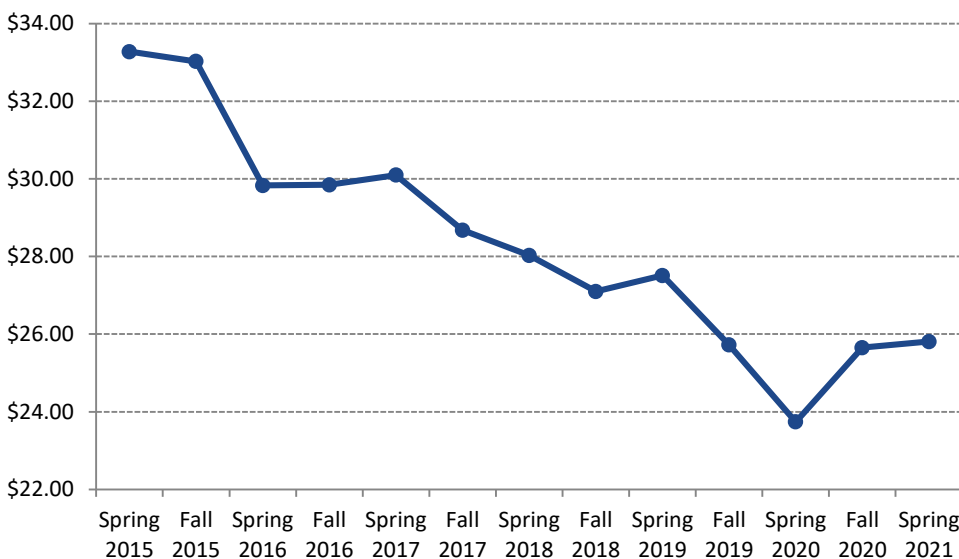


Figure 2. Recent Load-Weighted Average Winning Prices, ComEd Energy RFPs (\$/MWh)



D. Spring 2021 Capacity RFP

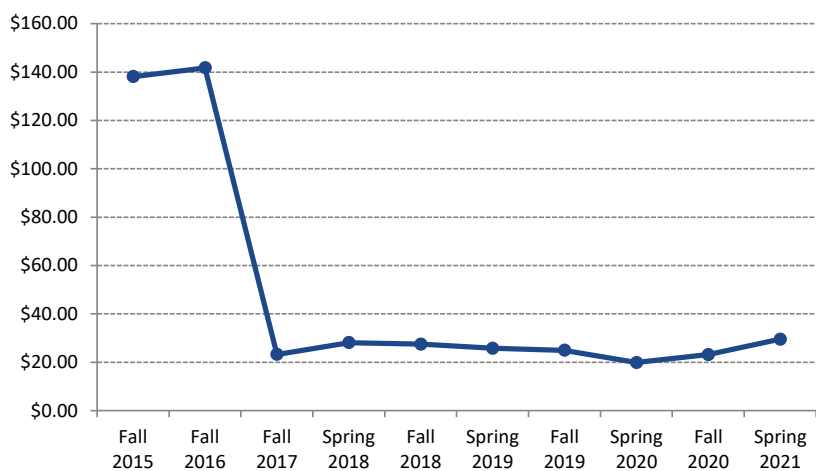
For the fourth consecutive year, the IPA's Procurement Plan called for Ameren to hold two RFPs to procure ZRCs – one in the spring and one in the fall. Also, as it has done regularly since 2019, the IPA also included a second delivery year in the 2021 capacity procurement plan. Thus, in an April 2021 RFP, Ameren procured ZRCs for both the 2022-2023 Planning Year, which extends from June 1, 2022 to May 31, 2023, and the 2023-2024 Planning Year, which extends from June 1, 2023 to May 31, 2024. As explained above, this procurement is used to

help satisfy certain resource adequacy requirements Ameren has as a member of MISO. ZRCs represent a commitment of capacity from planning resources that can be relied upon by MISO, where each ZRC equals one MW of unforced capacity.

The RFP successfully procured ZRCs from two bidders. For the 2022-2023 Planning Year, the RFP procured ZRCs at an average winning price of \$29.50/MW-day. For the 2023-2024 Planning Year, the RFP procured ZRCs at an average winning price of \$32.88/MW-day. As required, all winning bids were priced below the calculated benchmark values. The Commission approved the results of the RFPs on April 15, 2021.¹⁰

Figure 3 shows the average winning price for ZRCs for all RFPs held since 2015.¹¹ Figure 3 shows the dramatic reduction in ZRC prices observed in recent RFPs when compared to the Fall 2015 and Fall 2016 RFPs. In past comments, we have explained that the capacity procurement’s primary goal is to hedge Ameren’s exposure to MISO’s capacity auction, the Planning Reserve Auction (“PRA”),¹² and that PRA prices have been volatile due to a series of substantive changes over the past few years that have impacted PRA prices in Ameren’s zone, Zone 4.¹³

Figure 3. Recent Average Winning Prices, Ameren ZRC RFPs (\$/MW-day)¹⁴



¹⁰ Illinois Commerce Commission, “Public Notice of Successful Bidders and Average Prices, Illinois Power Agency, Spring 2021 Procurement of MISO Zonal Resource Credits,” April 15, 2021.

¹¹ The prices shown in Figure 3 are average winning prices that are public information. They represent the average price observed for all products procured in that procurement. For example, the price shown for the Fall 2015 RFP is the average price for all ZRCs procured at that procurement, which were to be delivered in the 2016-2017 Delivery Year.

¹² Illinois Power Agency, Electricity Procurement Plan Final 2021 Plan, January 11, 2021, Table 1-4, page 3.

¹³ See, for example, Bates White’s “Initial Comments on the Summer 2017 through Spring 2018 Electric Procurement Events,” Presented to the Illinois Commerce Commission, July 27, pages 13 to 14.

¹⁴ For the Spring 2021 RFP, we consider only the 2022-23 Planning Year in this figure.

E. Bates White's Reports and Recommendations on All Seven Procurements

Following each of the seven procurements held between summer 2020 and spring 2021, we provided a confidential report to the Commission that presented the procurement results and assessed bidder behavior and compliance with the rules. In each case, we recommended the Commission approve the results. We did so for several reasons, including: (a) the RFP processes were open, fair, and transparent; (b) the procurement events were run in accordance with the requirements of the Acts and Commission-approved rules; (c) the benchmarks were properly calculated and applied to the bids; and (d) we did not identify concerns with the actions of any affiliates of Ameren, ComEd, or MidAmerican, as applicable. Overall, the Illinois RFPs continue to succeed in leveraging the power of competition for Ameren, ComEd, and MidAmerican ratepayers. The procurements employ best practices to the benefit of ratepayers, a point we have made in the past.¹⁵

III. Adaptability of the Procurement Process to Underlying RTO Market Changes

In this brief section, we address the Illinois procurement process' ability to adapt to changes (and potential changes) in the underlying wholesale markets in which the Illinois utilities operate. Since the Illinois procurement events procure products that are defined by wholesale market operators, such as MISO and PJM, changes in those underlying markets necessarily have an impact.

To demonstrate how the process effectively adapts to such underlying changes, we focus here on the recent example of the MISO resource adequacy construct and its interaction with the Illinois procurement of ZRCs for Ameren. We begin with a brief and simplified explanation of uncertainty and potential changes being considered in the MISO stakeholder process for the resource adequacy construct. We then explain how the Illinois procurement event was able to address these uncertainties, minimize their impact, and provide potential bidders with flexibility without adding undue risk to Ameren and its ratepayers.

A. Potential Changes to MISO Resource Adequacy Construct

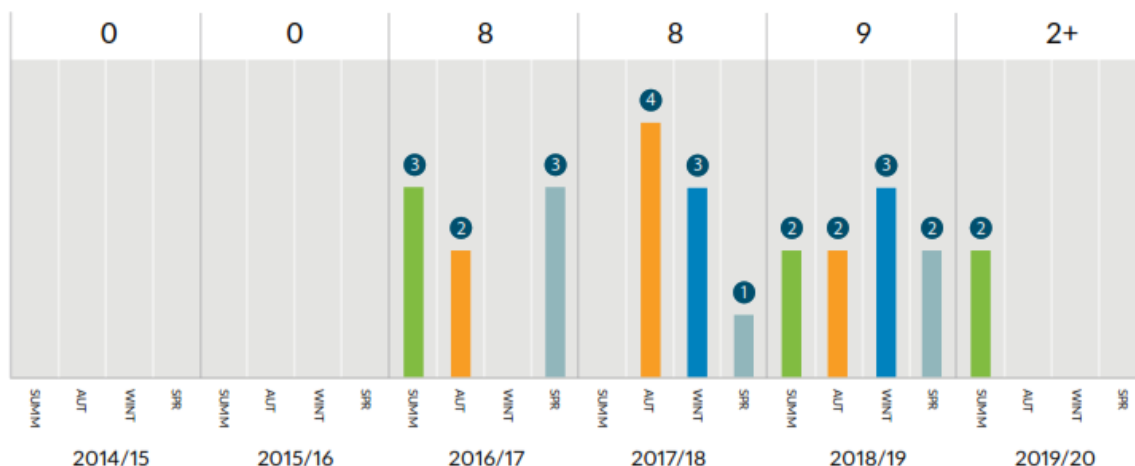
In a whitepaper published in March 2018,¹⁶ MISO identified an emerging concern. Specifically, MISO noted a substantial increase in the number of emergency events in which it

¹⁵ See, for example, Vincent Musco, "The unsung benefits of *wholesale* competition to electric utility customers who forgo *retail* competition," *The Electricity Journal*, Volume 30, 2017, pages 23 to 29.

¹⁶ Midcontinent System Operator, "Resource Availability and Need: Issues Statement Whitepaper," March 30, 2018, ("MISO 2018 Whitepaper"), available at: <https://cdn.misoenergy.org/20180405%20RSC%20Item%20007%20RAN%20Issues%20Statement%20White%20Paper164746.pdf>.

called on all available units to run and for others to delay scheduled outages – so-called “Maximum Generation Emergency” or “MaxGen” events. Historically, such events would occur, on average, once every two years. From 2016 through March 2018, twelve such events had occurred. Moreover, the MaxGen events were occurring in all four seasons, not only at the summer peak. This is shown in Figure 4 below.

Figure 4. MISO MaxGen Events, by season (2014-2020)¹⁷



MISO attributed the increase in MaxGen events to a combination of generation retirements, increases in variable energy and intermittent resources, and growth in supply resources that are only available in emergency conditions. MISO also attributed the non-summer MaxGen events to lower overall capacity levels, higher than forecasted outage rates, and a resource adequacy construct that was focused on the summer peaking season.¹⁸ So began MISO’s efforts to “optimize the conversion of committed capacity into sufficient energy every hour of the Planning Year to ensure it is carrying out its planning outcomes.”¹⁹

Since then, MISO’s Resource Adequacy Subcommittee has sought ways to improve resource adequacy in the MISO footprint. MISO created the Resource Availability and Need (“RAN”) initiative to “identify near-term solutions to increase the conversion of committed capacity resources into energy during times of need.”²⁰ RAN workshops have focused on addressing the changing MISO risk profile and how to best reflect resource availability in non-summer months and create a capacity resource that aligns with needs and incentives. As part of

¹⁷ Midcontinent System Operator, “Aligning Resource Availability and Need,” December 2019 (“MISO 2019 RAN Report”), page 6.

¹⁸ MISO 2018 Whitepaper, pages 1 to 2.

¹⁹ MISO 2018 Whitepaper, page 23.

²⁰ MISO 2019 RAN Report, page 1.

this initiative, MISO has considered numerous refinements, changes, and proposals, from changes to reliability requirements, to revisions to performance requirements for demand-side resources, to ways to improve access to stable fuel supplies, among several others.²¹

One of the primary changes that has been under consideration by MISO involves the resource adequacy construct itself and whether it is sufficient to address reliability risks in all seasons. As MISO notes, “MISO’s approach to resource adequacy has focused on ensuring that sufficient resources would be available when demand peaks in the summer—with the expectation that serving load the rest of the year would be comparatively easier.”²² As shown above in Figure 4, however, most MaxGen emergencies have occurred outside the summer season. To potentially improve reliability throughout the year in all seasons, MISO has been considering a “seasonal” construct, “which has the potential to match reliability requirements to specific seasons and provide the flexibility for resources to participate in the [Planning Reserve Auction] in times best suited for each resource.”²³

Over the past year-plus, MISO has taken substantial steps toward making the seasonal construct a reality. Currently, the seasonal construct design is under development and currently includes four seasonal accreditation based on resource availability, registration and qualification, and a seasonal wind effective load carrying capability (“ELCC”). MISO is refining the accreditation proposal based on stakeholder comments. The goal of these changes is to reflect availability while also emphasizing times of need.²⁴

The February 2021 winter outage that primarily affected Texas’ ERCOT system also impacted MISO and sharpened the focus on the seasonal construct efforts even more. During February 2021, MISO’s generation fleet suffered tens of gigawatts of unplanned outages throughout the month, leading to MaxGen declarations. For example, on February 17, 2021, MISO suffered approximately 50 GW of unplanned outages, which represents about one third of MISO’s entire generation fleet. Added to that was an additional 10 GW of generation on planned outage, meaning that 40% of MISO’s generation fleet was out during that day. While cited reasons for the outages differed, ranging from weather, to access to fuel, to mechanical issues, MISO’s conclusion was clear: the “50 GW of unplanned outages during the February MaxGens will be treated the same as outages on a mild day with plenty of availability.”²⁵ This means that there is “[l]imited or no incentive to bolster winterization or fuel assurance practices”

²¹ MISO 2019 RAN Report, pages 10 to 15.

²² MISO 2019 RAN Report, page 14.

²³ MISO 2019 RAN Report, page 14.

²⁴ RAN Reliability Requirements and Sub-annual Construct: March RASC Stakeholder Feedback and Responses. RASC010, RASC 011, RASC012, May 12, 2021 (“MISO May 2021 RAN Presentation”).

²⁵ MISO May 2021 RAN Presentation, slide 21.

in such times, and that “such unplanned outages that occur during times of highest need pose the most risk to system reliability.”²⁶

MISO’s post-February 2021 urgency to pursue the seasonal capacity construct coincided with the Ameren Spring 2021 ZRC RFP. Draft supplier contracts and RFP documents for the ZRC RFP were to be posted on February 16 and February 22, respectively, with final versions to be posted on March 3. At that time, MISO’s posted timeline for implementing a seasonal resource adequacy construct indicated that it would be in place in time for the April 2022 Planning Reserve Auction, implicating both the 2022-2023 and 2023-2024 Planning Years. Since the Ameren Spring 2021 ZRC RFP was procuring ZRCs for both of those implicated Planning Years, and since implementing a seasonal construct would likely have a material impact on the definition of the ZRC product, it became imperative that the Spring 2021 ZRC RFP recognize this impending change to the resource adequacy construct and take steps to accommodate it. In the next section, we explain how the process did so, effectively adapting to encourage bidder participation and retain the risk allocation that protects the utilities and their ratepayers.

B. How the Procurement Process Adapted to these Changes

While the Illinois procurement events follow a process that uses best practices that consistently provide benefits to Illinois utilities and their ratepayers, the process also remains flexible so as to allow further refinements through time. The procurement process allows for the RFP rules and standard contract to be revised to reflect current market conditions, lessons learned and potential improvements to the procurement process. For example, the 2020 procurements introduced minor rule changes to allow for additional bidder flexibility for participating during the COVID-19 pandemic, such as the submission of electronic signatures.

Regarding MISO’s seasonal resource adequacy revisions, the RFP rules explicitly acknowledged the possibility. The RFP rules were updated to recognize that “MISO may obtain FERC approval for changes to its resource adequacy construct that includes a seasonal component or requires a product other than a ZRC in order to satisfy AIC’s resource adequacy requirements for a Planning Year.”²⁷ While it is likely that all potential bidders were well aware of MISO’s efforts, this direct acknowledgment in the RFP rules provided clarity to bidders that all parties involved in the conduct of the RFP, including the utilities, had contemplated the MISO change and its implications for the RFP.

In addition to the update of the rules, the procurement administrator addressed the potential change in a webcast for parties interested in participating in the RFP. The webcast, which is meant in part to address requirements in the IPA Act and Illinois Public Utilities Act to

²⁶ MISO May 2021 RAN Presentation, slide 21.

²⁷ Illinois Power Agency Spring 2021 Procurement Events for Block Energy and Capacity Request for Proposals Process and Rules, NERA Economic Consulting, March 3, 2021. (with emphasis)

disseminate information to potential bidders to promote the RFP, was held on March 4, 2021 and is a primary way for sharing changes to the process that bidders should consider, even those bidders who have participated in numerous procurement events in the past. In this webcast, the procurement administrator shared the changes regarding MISO seasonality, explained the process that would occur if such changes were made, and gave bidders the ability to ask questions related to the changes. The process also allows bidders to ask the procurement administrator questions via email that are then posted in the FAQs section of the RFP website.²⁸ Should additional changes take place in the future that require the procurement process to continue to adapt, these two avenues allow all bidders to be aware of changes to the RFP and contract.

The last adaptation made in the Ameren 2021 ZRC RFP was to the standard contract, which all winning bidders (and the utilities) must execute after the procurement and which governs the transaction. Each new RFP allows for changes to the standard contract through a well-defined process that involves the utilities, the procurement administrator, the procurement monitor, the IPA, and Commission Staff. Prospective bidders are invited to comment on proposed changes, allowing greater transparency and feedback to the process.

The contract was revised for the Spring 2021 ZRC procurement to account for potential changes to the MISO PRA that include additional seasonality to the definition of the ZRC product. The revisions specified a process that would occur should MISO implement a seasonal construct. Importantly, the revisions included a bright-line threshold that would trigger the process: that is, that if the MISO resource adequacy construct was revised to include a seasonal component *and* that revision was accepted by the Federal Energy Regulatory Commission (“FERC”), then the process would be triggered. The contract revisions then specified that process, stating: “[I]n the event that MISO receives FERC approval to implement any change to its resource adequacy construct that, for any Contract Planning Year, includes a *seasonal component* or requires a *product other than a ZRC* (as defined as of the Date of Execution) in order to satisfy Buyer’s resource adequacy requirements, Buyer shall notify Seller in writing (such notice, a “MISO Change Notice”) on or before the date that is ten (10) days after such FERC approval.” This revision also provides bidders and the utilities with a clear, contractual avenue to address MISO changes.

The process is detailed in the contract as follows:

Buyer shall consult with the Illinois Power Agency (in consultation with its procurement administrator) and the Illinois Commerce Commission Staff (in consultation with its procurement monitor) in an effort to create a form of the Proposed Amendment that is agreed to by Buyer, the Illinois Power Agency (in consultation with its procurement

²⁸ See <https://www.ipa-energyrfp.com/faqs/>.

administrator) and the Illinois Commerce Commission Staff (in consultation with its procurement monitor) (such agreed amendment, the “Approved Amendment”)

If the parties cannot agree upon an Approved Amendment within (30) days of the Proposal Date (such date, the “Approval Deadline”) then:

(i) if all Contract Planning Years would be impacted by the changes identified in the MISO Change Notice, this Confirmation Agreement shall be deemed automatically terminated and neither Party shall have any further liability to the other Party except for those liabilities arising prior to the date of termination or (ii) if only one of the Contract Planning Years would be impacted by the changes identified in the MISO Change Notice, only the portion of the Confirmation Agreement related to the impacted Contract Planning Year shall be deemed automatically terminated and, with respect to the impacted Contract Planning Year only, neither Party shall have any further liability with respect to such Contract Planning Year except any liability arising prior to the date of termination.²⁹

Importantly, this process allows the parties to work together to adjust the executed contract to maintain each party’s rights and obligations, making only changes necessary to account for the changes to the MISO resource adequacy construct. Moreover, if the parties cannot reach agreement, the contract terminates. These contractual terms provide bidders with confidence in the RFP process while maintaining the risk profile inherent in the Illinois procurement events’ pay-for-performance power purchase agreements.

As a post-script, MISO’s efforts to implement a seasonal component to the resource adequacy construct remains in progress, but has been delayed. As of May 2021, MISO is continuing to refine its initial proposal and has extended the timeline to allow sufficient stakeholder engagement to support a FERC filing now planned for September 2021 with revisions first effective in the 2023-2024 Planning Year.³⁰

²⁹ Ameren Illinois Confirmation Agreement, March 3, 2021.

³⁰ RAN Reliability Requirements and Sub-annual Construct: March RASC Stakeholder Feedback and Responses. RASC010, RASC 011, RASC012.